



HWASUNG INDUSTRIAL

65th Annual General Meeting of Shareholders Reference Material

This document is to provide information on Hwasung Industrial's agenda items that will be proposed at the upcoming FY2023 AGM

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CEO MESSAGE

Dear Shareholders,

As we approach the 65th Annual General Shareholders Meeting, I would like to express my sincere gratitude for your support. Our journey towards "To become a 100-year enterprise" is fueled by our commitment to serving the best interests of our shareholders. In pursuit of this goal, we introduced new leadership and shareholder-friendly policies last year, including the purchase and retirement of treasury shares. Additionally, we are vigorously pursuing "change and innovation" throughout our business operations to remain competitive in today's rapidly evolving business landscape. The ultimate goal is to create sustainable long-term value for all stakeholders, and we are confident that our ongoing efforts will enable us to achieve this objective. We aim to go beyond being a typical construction company and become a "Culture Creator," providing unparalleled construction services and creating innovative spatial designs that inspire new lifestyles and cultures.

Despite the obstacles presented by the global pandemic, our company attained its most noteworthy sales figure in the past decade, amounting to KRW 6.451 trillion, with a net profit of KRW 223 billion. Although our profit margin did not meet the expectations of our shareholders, as an affirmation of our dedication to creating sustainable long-term value for our shareholders, we are pleased to announce that we will be distributing a dividend of KRW 500 per share.

Looking forward, we anticipate that challenges will continue to persist. Ongoing inflation and construction raw material prices increase, along with domestic and global monetary policies necessitating high-interest rates, are expected to slow down the recovery of the real estate market and point toward an economic downturn. Nevertheless, we strive to inherit the "challenging spirit" of our founder, who established the Company in a harsh environment 65 years ago. In the face of unprecedented crises and paradigm shifts, our employees and the management are committed to safeguarding the interests of the Company and shareholders while simultaneously seizing new growth opportunities to gain fresh momentum for growth. By navigating through these challenges, we will draw ourselves closer to the Company's future vision.

Our objective for this year is to achieve the highest sales figure in the history of the Company, thereby laying the groundwork for advancing into the global construction market through ODA construction projects in emerging countries. We are continuing to explore new revenue streams and building a sustainable business portfolio by identifying new growth drivers.

We strongly believe that crises present opportunities, and we have the resilience to overcome countless challenges and hardships. As we move forward, we are enthusiastic about embarking on a journey towards a new era of growth, earning the trust of our customers and society. We hope to continue to have your support.

Once again, I would like to thank our diligent employees for their efforts during these challenging times and we express our sincere appreciation for your support and encouragement.

Sincerely,

March 24, 2023

Lee Jong-won, Chairman & CEO



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**NOTICE
OF
MEETING**

NOTICE OF THE 65TH AGM

Notice is hereby given that the 65th Annual General Meeting of Shareholders of Hwasung Industrial will be held as described hereunder and your attendance is cordially requested.

1. **DATE/TIME** : March 24, 2023 at 09:30 AM Korea Standard Time
2. **PLACE** : 7th Floor Meeting Room, Hwasung Industrial Co.,Ltd , 111, Dongdaegu-ro Susoeng-gu ,
Daegu, Republic of Korea

3. AGENDA ITEMS TO BE VOTED ON

Agenda item 1 : Approval of 65th Financial Statements

Agenda item 2 : Approval of Amendments of Article of Incorporation

Agenda item 3 : Election of one(1) Inside Director Mr. Lee, Jong-Won

Agenda item 4 : Election of one(1) Outside Director Mr. Son, Won-jo

Agenda item 5 : Election of two(2) Audit Committee members

Item 5-1 : Election of Audit Committee member Mr. Son, Won-jo

Item 5-2 : Election of Audit Committee member Mr. Kim, Hong-Il

Agenda item 6 : Approval of Director Remuneration Limit

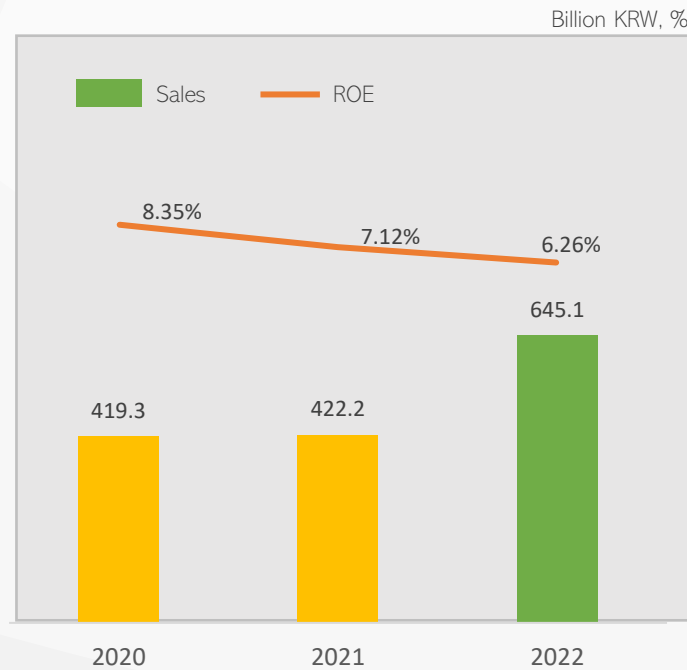
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**FY2022 FINANCIAL
HIGHLIGHTS AND
DIVIDENDS**

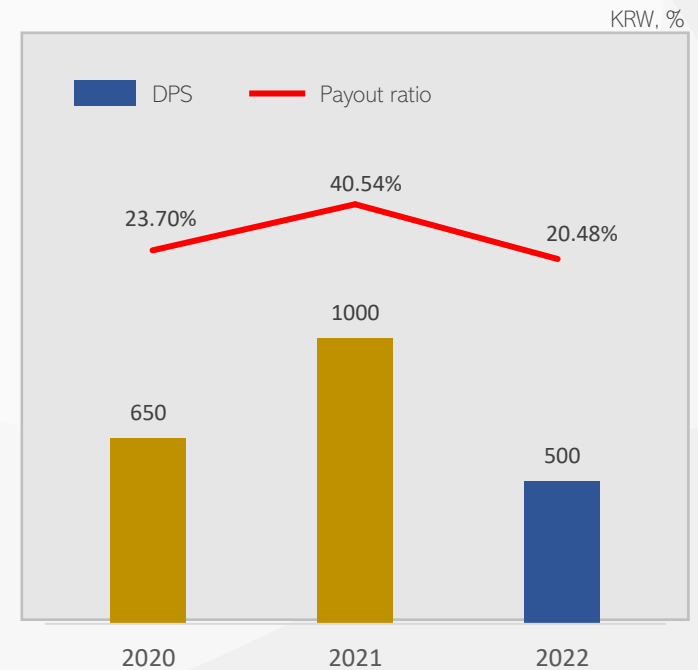
FINANCIAL HIGHLIGHTS

- In 2022, the Company achieved a record sales performance of KRW 645.1 billion despite difficult economic conditions due to increased volatility in the bond market and rising raw material prices.
- Net profit for the year was KRW 22.3 billion, 24.8% down from the previous year, due to increased costs such as prices of the raw material.
- As the unstable external environment is expected to continue in 2023, it is necessary to secure financial resources for liquidity management. Accordingly, this year's dividend has been decided at KRW 500 per share and a dividend payout ratio of 20.48%.

3 Years Financial Performance



3 Years Dividends



SUMMARY OF FINANCIAL STATEMENT

Balance Sheet

Million KRW

Title of Account	2020	2021	2022
Assets	580,484	807,966	745,583
Current Assets	393,029	613,675	544,405
Cash & Cash equi.	243,630	216,250	136,255
Trade & other receivables	79,371	205,576	28,892
Inventories	33,945	159,283	181,177
Other current assets	36,084	32,566	198,082
Assets held for sale	1,500	1,500	1,500
Non-current assets	185,955	192,791	199,678
Receivables	72,368	66,477	97,027
Investments in associates	45,032	51,120	17,966
tangible assets	51,769	57,317	41,907
Other non-current assets	16,785	17,877	42,778
Liabilities	186,024	390,985	388,971
Current liabilities	136,442	223,572	222,235
Payables	29,070	50,062	64,632
Short-term borrowings	52,410	-	20,000
Others	54,962	173,510	137,603
Non-current liabilities	49,582	167,413	166,736
Payables	304	317	243
Long-term borrowings	-	124,246	120,259
Others	49,278	42,850	46,234
Equity	394,460	416,981	356,612
Retained earnings	295,807	320,930	277,817

SUMMARY OF FINANCIAL STATEMENT

Income Statement

Million KRW

Title of Account	2020	2021	2022
Revenue	419,259	422,231	645,121
Cost of Sales	349,781	367,421	597,889
Gross Profit	69,479	54,811	47,232
Operating Expense	28,314	25,792	33,269
Bad Debt Expenses	650	387	212
Operating Profit	40,515	28,631	13,751
Other Gain (Loss)	-6,621	-2,546	4,477
Financial Gain (Loss)	1,610	1,674	1,155
Investment Gain (Loss)	7,789	8,573	9,297
Net Income Before Taxes	43,292	36,333	28,680
Income Expense	10,365	6,654	6,349
Net Income	32,927	29,679	22,331

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**AMENDMENTS OF
ARTICLE OF
INCORPORATION**

CHANGES OF ARTICLE OF INCORPORATION

Current	Proposed changes	Rationale
<p>Article 31 (Number of Directors) The number of directors of the company shall be between 3 and <u>20</u>, and outside directors shall be at least 1/4 of the total number of directors.</p>	<p>Article 31 (Number of Directors) The number of directors of the company shall be between 3 and <u>7</u>, and outside directors shall be at least 1/4 of the total number of directors.</p>	Resetting the appropriate number of directors to enhance prompt decision making under highly uncertain environment and considering the size of the company
<p>Article 35 (Appointment of Representative Director) <u>The Company appoints two representative directors among the directors by a resolution of the board of directors, and appoints one to serve as the executive chairman and one to serve as the president.</u></p>	<p>Article 35 (Appointment of Representative Director) <u>The Company appoints the executive Chairman of the Company among representative directors appointed by a resolution of the board of directors.</u></p>	Enhancing flexibility and efficiency by removing restriction of appointing two representative directors in any circumstances
<p>Article 36 (Duties of Directors) 1) <u>The executive chairman and the president</u> oversee all business of the company.</p>	<p>Article 36 (Duties of Directors) 1) <u>The representative director</u> is responsible for all business of the Company.</p>	Revision to reflect the amendment in Article 35

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**ELECTION
OF
DIRECTORS**

DIRETOR CANDIDATES



Lee Jong-won

- Birth: Sep 1972
- Gender: Male
- Role: CEO
- Director Since: Mar 2008

Educations & Experiences

- University of Wisconsin-Madison in Wisconsin, USA MBA, Marketing & Entrepreneurship
- Chairman & CEO of Hwasung Industrial Co., Ltd. in Daegu, Korea
- Vice-chairman of The Daegu Chamber of Commerce & Industry in Daegu, Korea
- Director of Shinsegae Live Shopping Inc.

Lee Jong-won, a construction industry veteran with 24 years of experience working at Hwasung Industrial Co., Ltd, has been recommended as an inside director candidate for the upcoming AGM. Since his appointment as a CEO in 2022, Lee has shown strong leadership in unifying the Company's internal stakeholders, resulting in exceptional performance.

The Board of Directors decided that Mr. Lee's experience and capabilities are essential in overseeing the Company's key agendas and achieving its mid-to-long-term vision.



Son Won-jo

- Birth: Feb 1959
- Gender: Male
- Role: Outside director

Educations & Experiences

- Graduated from YoungNam University
- Representative of Daekyung Accounting Corporation
- Chairman of Daegu KICPA
- Professor of Daegu Catholic University

Son Won-jo is an outside director candidate who has no prior affiliation with the Company. Mr. Son became a certified public accountant in 1990 and has since served as a university professor and tax review board member for local government, demonstrating professional expertise in accounting and finance. Mr. Son was recommended as a candidate by an Independent Director Nomination Committee, which does not include any inside director as a member.

The Board of Directors respects the judgment of the Independent Director Nomination Committee and decided to nominate Mr. Son as an Independent Director candidate, trusting that he will make a significant contribution to enhancing the financial management capabilities of the Company.

AUDIT COMMITTEE CANDIDATES



Son Won-jo

- Birth: Feb 1959
- Gender: Male
- Role: Outside director

Educations & Experiences

- Graduated from YoungNam University
- Representative of Daekyung Accounting Corporation
- Chairman of Daegu KICPA
- Professor of Daegu Catholic University

Audit Committee must operate independently from the Board of Directors to oversee the Company's accounting, financial activities, and internal control system. Therefore, according to the Commercial Act, it is necessary to have a member who is a financial expert.

As a certified public accountant and an experienced financial expert, Mr. Son has the necessary qualifications and capabilities to supervise the Company's accounting, finance, and internal control system from an independent position. For these reasons, we recommend Son Won-jo as a member of the Audit Committee.



Kim Hong-il

- Birth: May 1966
- Gender: Male
- Role: Outside director
- Director Since: Mar 2022

Educations & Experiences

- Graduated from Kyungpook National University
- Representative of D Camp
- IBK Asset Management Vice President
- World Bank Group Senior advisor to IFC Seoul
- CEO of K Unicorn Investment

Kim Hong-il, an Audit Committee member nominee, is a global finance expert. Mr. Kim has also demonstrated his risk management skills through various careers in the financial industry, making him a risk management specialist.

To ensure proper oversight of the Company's accounting, financial activities, and internal control system, it is essential that the Audit Committee remains independent from the Board of Directors. Therefore, we highly recommend appointing Mr. Kim as a member of the Audit Committee. His extensive management expertise and experience make him a valuable asset to the committee, and we are confident that he will provide critical insights and contribute significantly to the success of the committee's important work.

BOARD OF DIRECTORS AS OF 2022 DEC

	LEE Jong Won*	CHOI Jin Yeop	CHOI Sung Ho	KWON Young Bong	KWON Yeop	KIM Hong Il	KIM Hyo Seon
Classification	Executive (Chairman & Co-CEO)	Executive (Co-CEO)	Independent	Independent	Independent	Independent	Independent
Gender	Male	Male	Male	Male	Male	Male	Female
Terms ends	Mar 2023	Mar 2025	Mar 2023	Mar 2023	Mar 2024	Mar 2025	Mar 2025
Committees							
Management Committee	●	○					
Compensation Committee					○	●	○
Independent Director Nomination Committee			○	○	●	○	○
Audit Committee			●	○	○		
Board Meeting Attendance	100.0%	100.0%	92.3%	92.3%	76.9%	75.0%	75.0%

* Executive Director nominee(s) of the 2023 Annual General Meeting

● Chair of the Committee

BOARD SKILLS MATRIX (AFTER AGM)

Name	Classification	Gen-der	Business Management /Entrepreneurship	Civil Engineering/Construction	Acct/Finance	Legal	Business Strategy/Marketing	Global Experience	Environment
LEE Jong Won	Executive (Chairman & Co-CEO)	M	●				●		
CHOI Jin Yeop	Executive (Co-CEO)	M	●	●					
KWON Yeop	Independent	M	●				●		
Kim Hong Il	Independent	M	●		●			●	
Kim Hyo Seon	Independent	F						●	●
Son Wonjo	Independent	M			●				

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**DIRECTOR
REMUNERATIONS**

DIRECTOR REMUNERAT IONS

	FY2023 (To be voted)	FY2022	FY2021
Remuneration Limit	2,500	2,500	2,500
Remuneration Paid	-	1,358	1,173
Number of Directors (Inside/Outside)	6 (2/4)	8* (3/5)	5 (2/3)

*This number includes the former inside director LEE Hong Joong who resigned from the Board on June 30th, 2022

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**BOD
PERFORMANCE
HIGHLIGHTS**

KEY GOVERNANCE PRACTICES

- **INDEPENDENCE** – As of Dec 2022, 5 of 7 directors are independent (71.4%). We are committed to maintaining a substantial majority independence level for the Board of Directors. Pursuant to the Commercial Act of Korea, the Board is required to consist of a minimum 25% independence.
- **KEY COMMITTEES** –The Board committees include the Management Committee, the Remuneration Committee, the Independent Director Nomination Committee, and the Audit Committee. This year, the Board of Directors newly established a remuneration committee. All committees aside from the Management Committee are comprised entirely of outside directors to ensure the independence of each committee.
- **BOARD DIVERSITY** – The Board of Directors appointed its first female outside director at the 2022 Annual Shareholder Meeting. Diversity is an important aspect the Board considers in its nomination process in addition to the skills and experiences of the director nominees. We believe a sufficient level of diversity will make the Board an effective decision-making body capable of successful oversight.
- **ATTENDANCE** – Overall, our directors achieved a board meeting attendance rate of 75% or more, with an average attendance rate of 88.2%.
- **MEETINGS** – The Board of Directors held 13 meetings throughout the year.
- **SHARE BUYBACK** – The Board of Directors pledged to repurchase and retire 80 billion KRW of treasury shares at the start of the year 2022 and executed 54.5 billion KRW in June 2022.
- **PAYOUT POLICY** – The Board of Directors initially targeted a 30% dividend payment ratio at the start of the year 2022, For the year 2023, however, due to the economic downturn that posed us with growing market uncertainties, the Board decided to adjust the payout ratio to 20.5% and focus on liquidity risk management to protect the shareholder value.

END OF DOCUMENT